



## BEYOND SALARY: HOW INTEGRATED COMPENSATION AND BENEFITS TRANSFORM RETAIL EMPLOYEE PERFORMANCE

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### Abstract

This research employs a qualitative approach using an integrative literature review as the primary methodology. Data were gathered through systematic examination of peer-reviewed journals, authoritative HRM textbooks, and empirical research (2020-2025). ATIQ HOMEKLIK serves as the contextual case to ground theoretical findings and develop actionable recommendations for Indonesian retail SMEs. This approach enables the synthesis of contemporary compensation theory with practical application in resource-constrained retail contexts. Findings reveal that compensation and benefits significantly influence employee motivation, job satisfaction, and performance. Fair financial compensation, combined with non-financial benefits such as career development, job security, and a conducive work environment, effectively increases employee engagement and productivity. The research introduces an integrated total rewards approach applicable to retail SMEs. Results indicate that the strategic integration of compensation and benefits is a key factor in improving employee performance and supporting organisational sustainability. This study contributes both theoretically, by strengthening the compensation-benefit-performance literature in retail SME contexts, and practically, by providing actionable strategies for effective human resource management.

**Keywords:** compensation, benefits, employee performance, human resource management, retail industry

### INTRODUCTION

Human resource management (HRM) plays a critical role in maintaining organisational sustainability and enhancing competitive advantage. In increasingly competitive business environments, employee management strategies become crucial, particularly regarding compensation and benefits, as well as internal organisational efforts to improve employee performance. Compensation is no longer understood merely as wages or salaries; it now encompasses benefits that can drive motivation, loyalty, and work productivity.

Several studies indicate that appropriate compensation provisions can increase work motivation and positively impact employee performance (Ervina et al., 2023; Pangestu & Masman, 2023), while benefits can enhance employee satisfaction and loyalty (Fausia & Kuswinarno, 2024). However, in practice, many organisations still emphasise financial compensation while neglecting non-financial benefits such as self-development opportunities, career coaching, and non-material recognition. This condition is also evident in several SMEs that face challenges maintaining employee productivity due to imbalances in compensation and benefits, including ATIQ HOMEKLIK, a developing retail business unit.

Compensation and benefits strategies are important components of human resource management that enhance employee performance. Compensation encompasses all forms of rewards employees receive

as remuneration for work contributions, both financial and non-financial. Providing fair and competitive compensation has been shown to increase work motivation, satisfaction, and employee loyalty toward organisations (Milkovich et al., 2020; Ervina et al., 2023). Additionally, benefits such as welfare assurance, career development, and work facilities also play important roles in creating security and employee attachment to companies (Dessler, 2020).

According to motivation theory, compensation and benefits function as drivers of productive work behaviour. Expectancy Theory holds that individuals exert maximum effort when they believe their efforts will produce valued performance and rewards, while Herzberg's Two-Factor Theory positions compensation and work conditions as hygiene factors that prevent job dissatisfaction. Various empirical studies show that appropriate compensation and benefit strategies significantly influence employee performance, both directly and through mediating variables such as motivation and job satisfaction (Fachiroh & Suratman, 2023; Pangestu & Masman, 2023).

However, most previous research still focuses on financial compensation and is conducted in specific sectors such as banking and large industries. Meanwhile, studies regarding the integration of compensation and benefits in medium and small-scale retail business contexts remain limited. Therefore, research on compensation and benefits strategies to improve ATIQ HOMEKLIK employees' performance is important for enriching the literature and making practical contributions to more effective and sustainable human resource management.

This phenomenon reveals gaps between theory and practice, where, conceptually, compensation and benefits should be integrated strategies to improve employee performance. However, implementation has not been optimal in many business units (Fachiroh & Suratman, 2023). Previous research has largely focused on compensation's effect on performance through motivation. However, few have examined how compensation and benefits are combined simultaneously as performance improvement strategies, especially in SME retail contexts. Additionally, there are variations in research results regarding the benefits for performance, indicating the need for further studies to develop a more consistent and comprehensive understanding (Muhtazib & Niartiningsih, 2022; Santoso & Amalia, 2023).

## **LITERATURE REVIEW**

### **Compensation in Human Resource Management**

Compensation refers to all forms of financial returns and tangible services and benefits employees receive as part of employment relationships (Dessler, 2020). In contemporary HRM, compensation encompasses not only direct financial rewards but also indirect benefits contributing to employee welfare and satisfaction. Milkovich, Newman, and Gerhart (2020) emphasise that effective compensation systems must balance organisational capacity with market competitiveness and individual employee needs.

Compensation serves multiple strategic functions: attracting qualified candidates, retaining valuable employees, motivating performance, and ensuring legal compliance (Dessler, 2020). In retail contexts characterised by high turnover and intense competition, strategic compensation management becomes critical for workforce stability and organisational performance.

### **Employee Benefits and Organisational Outcomes**

Employee benefits constitute non-wage compensations provided to employees, including health insurance, retirement plans, paid leave, and career development opportunities (Milkovich et al., 2020). Research indicates that comprehensive benefit packages significantly influence employee satisfaction, organisational commitment, and retention (Santoso & Amalia, 2023).

The strategic value of benefits lies in their ability to address diverse employee needs beyond financial remuneration. Fausia and Kuswinarno (2024) found that benefits consistently provided enhance employee work motivation, particularly in organisations requiring long-term performance stability. Non-financial benefits such as training, recognition programs, and career advancement opportunities function as powerful motivators, improving employee engagement (Manda et al., 2024).

### **Theoretical Framework: Motivation and Compensation**

Two primary theories explain compensation-performance relationships:

Expectancy Theory (Vroom, 1964) posits that individuals are motivated when they believe their efforts will lead to desired performance levels and valued rewards. This theory suggests compensation systems must establish clear effort-performance-reward linkages to maximise motivational impact.

Herzberg's Two-Factor Theory distinguishes between hygiene factors (including compensation), which prevent dissatisfaction, and motivators, which drive satisfaction. This framework suggests that while adequate compensation prevents dissatisfaction, additional motivators, such as recognition and growth opportunities, are necessary for sustained performance improvement.

### **Compensation-Benefit Integration: The Total Rewards Approach**

Contemporary HRM scholarship advocates total rewards approaches that integrate financial and non-financial compensation elements (Milkovich et al., 2020). This holistic strategy recognises that modern workforce values extend beyond monetary remuneration to include work-life balance, development opportunities, and meaningful work.

Empirical evidence supports integrated approaches. Fachiroh and Suratman (2023) found that job satisfaction mediates the relationship between compensation and employee performance, indicating that non-financial benefits that reinforce satisfaction strengthen the effectiveness of compensation. Muhtazib

and Niartiningsih (2022) demonstrated that both financial and non-financial compensation significantly affect employee performance, validating the importance of an integrated strategy.

### **Research Gap and Conceptual Framework**

Despite extensive research on compensation and performance, significant gaps remain:

**Context Gap:** Most studies focus on large corporations and banking sectors, with limited attention to retail SMEs facing unique challenges. **Integration Gap:** Few studies examine synergistic effects of simultaneously implemented compensation and benefit strategies rather than isolated components. **Methodological Gap:** Quantitative dominance limits understanding of how employees interpret and experience compensation and benefits systems.

This research addresses these gaps through a qualitative exploration of integrated compensation and benefits strategies in retail SME contexts, specifically ATIQ HOMEKLIK. The conceptual framework posits that: Organisational Factors (fair compensation, comprehensive benefits, supportive work environment) → Mediating Variables (motivation, job satisfaction) → Employee Performance (productivity, quality, commitment)

## **METHOD**

### **Research Design**

This research employs a qualitative descriptive approach, using systematic literature review and case study methods, to analyse compensation and benefits strategies for enhancing ATIQ HOMEKLIK employees' performance. The qualitative approach is selected because it provides a comprehensive understanding of human resource management phenomena, particularly regarding the effectiveness of compensation and benefits strategies in improving employee performance within retail organisational contexts (Creswell, 2021).

### **Data Collection**

Data were collected through a systematic review of scientific journals, reference books, and relevant scientific publications within the five years (2020-2025) addressing compensation, benefits, and employee performance. Search strategy employed multiple databases, including Google Scholar, Scopus-indexed journals, and Sinta-accredited Indonesian journals.

### **Inclusion Criteria:**

Published 2020-2025

Focus on compensation, benefits, or employee performance

Retail sector or transferable contexts

Peer-reviewed publications

**Exclusion Criteria:**

Publications before 2020

Non-retail contexts with limited transferability

Non-peer-reviewed sources

A total of 15 primary sources were selected after systematic screening, supplemented by foundational HRM textbooks (Dessler, 2020; Milkovich et al., 2020).

**Data Analysis**

Data analysis was conducted through thematic analysis following Braun and Clarke's (2006) framework, adapted for systematic reviews:

**Data Reduction:** Extracting relevant information from selected sources regarding compensation strategies, benefit programs, and performance outcomes. **Data Display:** Organising extracted data thematically to identify patterns, relationships, and gaps between theory and practice. **Conclusion Drawing:** Synthesising findings to develop a comprehensive understanding of compensation-benefit-performance relationships and deriving practical recommendations. **Thematic coding focused on:** (1) compensation system characteristics; (2) benefit program components; (3) motivational mechanisms; (4) performance outcomes; (5) contextual factors influencing effectiveness.

**Validity and Reliability**

Data validity was maintained through:

**Source Triangulation:** Multiple sources across different contexts and methodologies. **Theoretical Triangulation:** Alignment between theoretical frameworks and empirical findings. **Member Checking:** Consultation with ATIQ HOMEKLIK management for contextual validation

Reliability ensured through: Systematic documentation of selection and analysis processes, Consistent application of inclusion/exclusion criteria, Transparent reporting of analytical decisions

**FINDINGS AND DISCUSSION**

**Compensation Systems in the Retail Industry**

Compensation systems in the retail industry are strategic tools that enhance performance and retain employees. Compensation is not limited to financial rewards; it also encompasses non-financial benefits that provide psychological and social value to employees. According to Dessler (2020), “compensation

refers to all forms of financial returns and tangible services and benefits employees receive as part of an employment relationship,” underscoring that compensation has broad dimensions that directly influence employee work behaviour.

In retail industries characterised by high competition and turnover, compensation systems become important instruments for maintaining workforce stability. Empirical research shows that fair and competitive compensation significantly enhances employee performance. Ervina, Ferdinand, and Meitiana (2023) state that “appropriate compensation provided according to performance can increase employee work motivation, thereby impacting organisational performance improvement.” It indicates that compensation functions not only as a tool for fulfilling economic needs but also as a psychological driver influencing work productivity.

Besides financial compensation, non-financial benefits also play important roles in creating employee satisfaction and loyalty. Fachiroh and Suratman (2023) affirm that “job satisfaction acts as a mediating variable between compensation and employee performance,” meaning additional benefits such as health insurance, career development opportunities, and comfortable work environments function as reinforcers of compensation-performance relationships. It is relevant to the retail industry, which is heavily dependent on the quality of employee-customer interaction.

Recent trends show retail organisations beginning to adopt total rewards approaches, namely strategic combinations of financial and non-financial compensation. According to Muhtazib and Niartiningsih (2022), “both financial and non-financial compensation significantly affect employee performance,” underscoring the importance of integrated approaches to the effectiveness of human resource policy. This strategy is considered more adaptive to the modern workforce's changing needs, pursuing not only wages but also stability, recognition, and opportunities for self-development.

For ATIQ HOMEKLIK, implementing structured, fair compensation and benefits systems is an important factor in sustainably enhancing employee performance. By balancing financial compensation with non-financial benefits, companies can create productive, competitive work environments. Therefore, the discussion results affirm that the relationships among compensation, benefits, and employee performance are significant and strategic, requiring planned management to support organisational sustainability.

### **Compensation Strategies in Enhancing Employee Performance**

Compensation is one of the primary instruments in human resource management, serving as recognition for employees' contributions to organisations. Study results show that compensation strategies implemented fairly and competitively can increase work motivation and drive employee performance

improvement. Aligns with Ervina et al. (2023) 's findings, which state that compensation significantly influences performance through enhanced work motivation.

In ATIQ HOMEKLIK contexts, compensation is understood not only as base salary but also as performance-based incentives that drive employees to work more productively and responsibly. Fair compensation aligned with workload creates harmonious work relationships and encourages employee commitment to organisational goals.

However, poorly structured compensation strategy implementation can lead to job dissatisfaction and lower employee morale. Pangestu and Masman (2023) affirm that compensation imbalanced with workload can negatively impact performance. Therefore, compensation strategies need to be adjusted to the company'sthe company's capacity and employees' needs to create harmonious, sustainable work relationships.

### **Key Findings:**

Performance-based compensation systems increase motivation and productivity. Transparent evaluation mechanisms strengthen compensation effectiveness; Compensation must balance organisational capacity with employee expectations. Regular compensation reviews are necessary to maintain competitiveness

### **Benefit Roles in Enhancing Motivation and Performance Satisfaction**

Besides financial compensation, benefits play a strategic role in creating a sense of security and employee job satisfaction. Benefits such as health insurance, career development opportunities, and comfortable work environments contribute to enhanced employee loyalty and attachment to organisations. Fausia and Kuswinarno (2024) found that consistently provided benefits can increase employee work motivation, especially in organisational contexts requiring long-term performance stability.

For ATIQ HOMEKLIK, providing appropriate benefits can be a key factor in retaining employees and reducing turnover. Aligns with Santoso and Amalia's (2023) findings, stating that employee welfare positively influences job satisfaction and performance. Thus, benefits function not only as compensation complements but become strategic parts of human resource management systems.

#### **Benefit Categories and Impact:**

##### **1. Welfare Benefits:**

- Health insurance reduces financial anxiety
- Retirement programs enhance long-term security
- Work-life balance initiatives improve satisfaction

##### **2. Development Benefits:**

- Training programs enhance competencies

- Career advancement opportunities increase commitment
- Skill development creates growth mindsets

### 3. Work Environment Benefits:

Comfortable facilities improve the daily experience

- Recognition programs boost morale
- Team-building activities strengthen cohesion

## **Compensation-Benefit Relationships in Employee Performance Improvement**

Relationships between compensation, benefits, and employee performance improvement at ATIQ HOMEKLIK are supported by theoretical evidence and recent empirical findings. Compensation, as an organisational reward for employee contributions, includes salaries, wages, and bonuses, while benefits encompass health allowances, welfare programs, and competency development opportunities. According to Milkovich, Newman, and Gerhart (2020), compensation that is fairly and competitively designed can increase motivation, loyalty, and work performance.

Similarly, benefits play a strategic role in strengthening job satisfaction and positively impacting employee productivity (Dessler, 2020). In ATIQ HOMEKLIK contexts, effective compensation and benefits strategies are believed to foster greater attachment and commitment, enabling sustainable performance enhancement.

Empirical research supports positive relationships between compensation, benefits, and performance. Ervina, Ferdinand, and Meitiana (2023) found that appropriate compensation significantly influences employee performance through work motivation pathways, meaning compensation provides not only financial rewards but also triggers a higher work spirit. Pangestu and Masman (2023) also reported that effective compensation policies correlate with increased employee work output, especially when compensation is linked to transparent and fair performance evaluation systems.

Additionally, Muhtazib and Niartiningsih (2022) stated that both financial and non-financial compensation contribute to work performance, indicating that non-financial benefits, such as career development and supportive work environments, play a significant role in performance. Benefits provided to employees also correlate positively with job satisfaction and performance. Santoso and Amalia (2023) found that welfare benefits increase job satisfaction, which, in turn, enhances employee productivity and loyalty.

It indicates that optimal compensation alone is insufficient without adequate benefit support. Integrated combinations of compensation and benefits yield stronger synergistic effects on employee motivation and performance, as explained by Fachiroh and Suratman (2023), who found that job satisfaction mediates the relationship between compensation and performance.

Synergistic Framework:



However, the design of compensation and benefits strategies cannot be uniformly implemented. Contextual factors such as company size, industry characteristics, and employee demographic preferences influence relationship effectiveness. Therefore, ATIQ HOMEKLIK needs to adjust compensation and benefit policies based on employee needs and expectations to maximise the relationships among these variables and employee performance. Thus, the discussion results affirm positive and significant relationships between compensation, benefits, and employee performance improvement, reflected in motivation, satisfaction, and work productivity.

### **Best Practices in Compensation and Benefit Systems for Motivating Retail Employees**

Best practices in compensation and benefits systems aim not only to provide adequate financial rewards but also to create work conditions that support sustainable motivation. Based on recent literature reviews, retail sectors known for high turnover and significant operational pressures require fair and diverse compensation strategies to sustain long-term employee motivation.

Recent research shows that compensation and benefit systems play important roles in motivating and retaining employees in competitive retail markets prone to turnover, with various integrated incentive types, including bonuses, commissions, health insurance, paid leave, and career development opportunities (Munawaroh et al., 2025).

Additionally, empirical studies show that providing competitive compensation, combined with effective motivation, can significantly improve performance. For example, Yuswardi (2025) states that “compensation and motivation together provide positive influences on employee performance in modern retail stores such as Alfamart and Indomaret,” suggesting that performance-based compensation structures and effective work motivation systems can become best practices in the retail industry.

Other best practices involve combining financial compensation with non-financial benefits to fulfil employees' psychological needs. This approach appears in research highlighting compensation's relationship with work motivation, which states that increased compensation positively impacts work spirit and ultimately employee performance (Saputra & Kusuma, 2024).

Non-monetary strategies such as training, career development, and achievement recognition are also identified as strong motivators for improving employee engagement and performance generally (Manda et al., 2024). Important to note that best practices are not singular but involve adaptive compensation policy combinations with various benefits suitable for employee needs, capable of building loyalty and intrinsic and extrinsic motivation.

### **Best Practice Framework:**

1. Performance-Based Compensation:
  - Clear KPI-linked incentives
  - Transparent evaluation processes
  - Regular performance reviews
  - Merit-based salary adjustments
2. Comprehensive Benefit Packages:
  - Health and wellness programs
  - Career development pathways
  - Work-life balance initiatives
  - Recognition and reward systems
3. Employee Engagement Mechanisms:
  - Participative decision-making
  - Regular feedback channels
  - Team-building activities
  - Open communication culture

### **Case Study: Successful Compensation and Benefit System Implementation**

In effective retail management practices, implementing an appropriate compensation and benefits system can be a game-changer for enhancing employee motivation and performance. Several research case studies show that best practices succeed when compensation and benefits are designed not only as financial rewards but also as mechanisms for employee empowerment.

For example, Munawaroh et al. (2025) found in their research on market retail businesses that “integrated compensation and benefits can significantly increase work motivation in competitive retail environments with high turnover rates.” It indicates that the successful implementation of a compensation strategy, synergised with employee benefits, will lead to higher work motivation.

One positive case study example comes from Yuswardi (2025), which evaluates compensation and work motivation strategies in modern retail stores such as Alfamart and Indomaret, finding that “performance-based compensation together with benefit systems providing recognition and appreciation for employee achievements directly positively impacts productivity and work engagement.” These findings show that when compensation systems are linked with clear performance measurements and non-financial benefits such as training or promotion opportunities, employee intrinsic motivation significantly increases.

Additionally, Saputra and Kusuma's (2024) study results in the retail sector also show that “financial incentive combinations and psychological benefits such as achievement recognition and skill improvement opportunities drive long-term work commitment and reduce turnover.” This practice affirms the importance of non-financial benefit roles in complementing compensation as motivation strategies.

In the retail industry, saturated with challenges and high dynamics, employees who feel valued financially and non-financially tend to perform better and show greater loyalty toward companies. All these findings affirm that retail companies like ATIQ HOMEKLIK need to adopt performance-based compensation practices and holistic benefits, including balanced financial compensation and non-financial benefits, to achieve maximum and sustainable employee motivation.

## **CONCLUSIONS**

Based on the discussion, compensation and benefits strategies play a crucial role in enhancing employee performance at ATIQ HOMEKLIK. Fair and competitive compensation, accompanied by benefits supporting employee welfare and development, has proven capable of increasing motivation, job satisfaction, and employee loyalty.

These findings indicate that integration between financial and non-financial compensation is a key factor in driving sustainable performance, particularly in retail sectors with high dynamics and intense competition. Strategic compensation and benefit management is not merely an administrative function but a critical driver of organisational success in competitive retail environments.

The study reveals that: Compensation-benefit integration significantly influences employee motivation and performance, Both financial and non-financial components play equally important roles, Total rewards approaches are more effective than isolated compensation strategies, Contextual adaptation is necessary for strategy effectiveness.

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